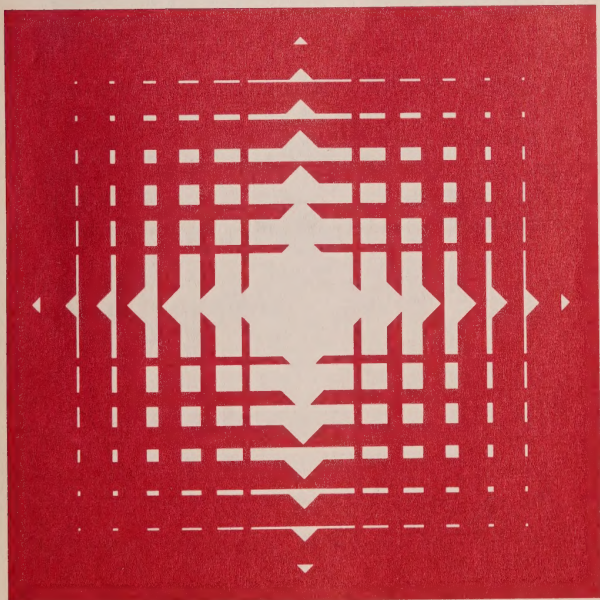
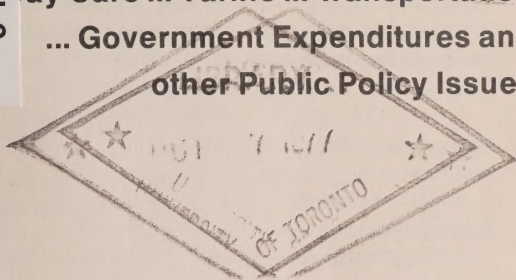


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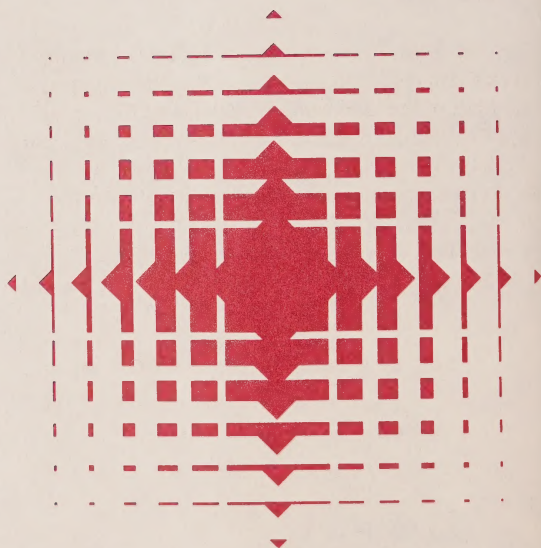
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ABOUT THE

Ontario Economic Council

The Ontario Economic Council, established in 1962 as an independent advisor to government, undertakes research and policy studies to encourage the optimum development of the human and material resources of Ontario and to support the advancement of all sectors of the province.

G.L. Reuber, Chairman
Ontario Economic Council



Economic Analysis of Environmental Policies

**D.N. DEWEES, C.K. EVERSON, AND
W.A. SIMS**

A framework is concisely presented for the economic analysis of pollution problems and for evaluating proposed solutions. The substantial recent literature on environmental economics is reviewed and related to Ontario environmental policy. Topics include the theory of externalities as an explanation of environmental problems, policy objectives, costs of information and monitoring, and the impact of these costs on control policy selection. Three case studies of specific pollution problems – sulphur dioxide from a smelter, lead from downtown factories, and urban automobile emissions – are given, and possible solutions explored.

The authors' methodology is applicable not only to air and water pollution but also to noise, aesthetic degradation, and solid waste. This study will be welcomed by specialists for its coherent treatment of the subject; and it will be even more helpful to politicians, civil servants, and students trying to understand the economic aspects of environmental maintenance.

D.N. DEWEES is an associate of the Institutes for Policy Analysis and Environmental Studies, and a member of the Department of Political Economy and the Faculty of Law, at the University of Toronto. C.K. EVERSON and W.A. SIMS are graduate students in economics at the University of Toronto.

ISBN 0-8020-3335-0 / 6 × 9 / \$6.50 paper
LC 75-37171 / 186 pp / 1975

2 Property Crime in Canada

An econometric study

K.L. AVIO AND C.S. CLARK

This is the first attempt, using Canadian data and econometric techniques, to study property crime as rational economic behaviour. Supply-of-offences functions for five types of property crime are specified and estimated using provincial data for 1970-2. Both the probability of apprehension and the probability of conviction are shown to have a substantial negative effect upon most kinds of property crime, with the conviction rate exhibiting the stronger influence. The generally significant inverse relationship between expected sentence length and the crime rate found by other researchers does not appear for the crimes investigated here. The results also indicate that estimating supply-of-offences functions over such aggregate categories as 'property crime' can lead to unjustified generalizations about particular types of crime.

'... a well done and clearly presented adaptation and application of a standard economic model.' *Canadian Public Policy*

K.L. AVIO is a member of the Department of Economics at the University of Victoria; C.S. CLARK is a member of the Department of Economics at the University of Western Ontario.

ISBN 0-8020-3334-2 / 6 × 9 / \$5.00 paper
LC 76-925 / 94 pp / 1976

3 The Effects of Energy Price Changes on Commodity Prices, Interprovincial Trade, and Employment

J.R. MELVIN

This study investigates how an increase in the price of petroleum and natural gas would alter commodity prices in Ontario, and then estimates the effects on production and employment. A 100 per cent increase in energy prices is assumed. Using the Ontario input-output table it is found that commodity price increases would be relatively small, on average 2.7 per cent over-all and less than 1.6 per cent in basic manufacturing. However, using Cobb-Douglas utility functions it is also calculated that the Ontario labour force would suffer an employment reduction of 2 to 4 per cent.

Economic policy alternatives open to Ontario are then considered. Subsidies to offset commodity price increases would be very expensive and difficult to administer. Retaliatory measures, such as a change in the Ontario Corporate Income Tax, would be inefficient. It is concluded that from Ontario's point of view the best economic policy would be to attempt to ensure that petroleum and natural gas prices remain uniform throughout Canada.

J.R. MELVIN is a member of the Department of Economics at the University of Western Ontario.

ISBN 0-8020-3337-7 / 6 × 9 / \$5.00 paper
LC 76-27870 / 106 pp / 1976

4 Tariff and Science Policies

Applications of a model of nationalism

D.J. DALY AND S. GLOBERMAN

This controversial analysis of economic nationalism will interest economists and those concerned with nationalism and the competitive position of Canadian manufacturing. It is the first attempt to test empirically an economic model of nationalism, a model which implies that an emphasis on nationalism ultimately reduces economic efficiency – with low-income groups bearing most of the resultant cost – and redistributes income from lower- to upper-income individuals.

Applying the model to federal commercial and science policies, the authors argue that these policies have contributed to the high costs and low productivity of Canadian manufacturing and retarded the adoption of new processes and improved techniques. They find that the costs of these policies are borne by the urban worker and the consumer, while the major beneficiaries are Canadian managers, scientists, and engineers. The efficiency and competitive position of Canadian industry are reduced and income redistributed from lower- to upper-income groups.

Science policies designed to increase, at high cost, a broad range of Canadian research and development capabilities are related to the slower adoption of new manufacturing processes in Canada than in the United States and Europe. The authors conclude that greater trade liberalization and increased industrial specialization would benefit Canada and Ontario, that more emphasis should be placed on rapid diffusion of innovation, and that research should be concentrated in fields where Canada has a potential competitive advantage.

‘Rewarding reading’ *The Financial Post*

D.J. DALY and S. GLOBERMAN are members of the Faculty of Administrative Studies at York University.

ISBN 0-8020-3338-5 / 6 × 9 / \$6.00 paper
LC 76-24911 / 136 pp / 1976

5 A Theory of the Expenditure Budgetary Process

D.G. HARTLE

This crisp, provocative, lively, sometimes opinionated analysis is an important contribution to the scanty Canadian literature on the politics of the budgetary process. It is an important theoretical contribution to the study of political decision-making made by an economist.

Speaking from personal experience of the administrative struggles that lie behind evolving federal expenditure priorities, Professor Hartle offers an original, and at times devastating, review of the theories of public decision-making advanced by such analysts as Downs, Breton, Niskanen, and Wildavsky. He argues that their inadequacies can be overcome if politics, like the economy, is recognized as a process in which individuals and groups seek to maximize their satisfactions. He shows how the federal budget is the outcome of a series of utility-maximizing games between politicians, bureaucrats, interest-group leaders, journalists, and voters. His approach is clearly applicable to decision-making in all organizations, both public and private.

This study will appeal especially to economists and political scientists as an example of how the insights of their two disciplines can be combined. As a stimulating investigation of how government really works, it will greatly interest not only specialists in public administration but also anyone concerned with the larger issues of how decisions are reached under the conditions imposed by large modern organizations.

D.G. HARTLE is a member of the Institute for Policy Analysis at the University of Toronto.

ISBN 0-8020-3341-5 / 6 × 9 / \$6.50 paper
LC 76-25827 / 108 pp / 1976

6 Resources, Tariffs, and Trade

Ontario's stake

J.R. WILLIAMS

Has the Canadian tariff really benefited Ontario? This widely accepted assumption has never been confirmed empirically. Evidence is now presented in this book that the tariff, despite its intention, has *not* succeeded in encouraging the growth of secondary manufacturing in Ontario – or in Canada as a whole. Surprisingly, the tariff may have encouraged agricultural production in Ontario, compared with other provinces, but the amount of processing and manufacturing in the province, according to this study, has been reduced below the level possible with free trade.

Professor Williams suggests that the Canadian tariff has raised the cost of end-product processing, relative to earlier stages of processing, by shifting production to commodities using resources that are scarce in Canada. He maintains that free trade would encourage final processing, because intermediate products would be obtained at world prices and more abundant Canadian resources would be used.

This careful and well-documented discussion raises serious questions about the historical effectiveness of Canadian industrial policy.

J.R. WILLIAMS is a member of the Department of Economics at McMaster University.

ISBN 0-8020-3340-7 / 6 × 9 / \$7.50 paper
LC 76-26043 / 126 pp / 1976

7 Transportation Rates and Economic Development in Northern Ontario

N.C. BONSOR

This book examines the influence of transport costs on regional economic development in northern Ontario. It begins with an overview of the Canadian freight rate structure, with emphasis on railway rates, and a brief look at the history of federal rate policy. A theoretical model of rate determination is then constructed to permit measurement of the impact on producers and consumers of alternative rate-setting policies. Using econometric techniques and 1975 data, rate changes are related to the inputs and outputs of northern Ontario's economy, and the effect on the region of subsidies and regulations is discussed.

Freight rates on inbound shipments are found to be much higher than on goods exported from the area. A central discovery is that regulations limiting competition in the Ontario trucking industry have raised highway freight rates significantly beyond the national average. In this situation transport subsidies are unlikely to affect rates, Professor Bonsor argues; the most effective way to lower unduly high freight rates in northern Ontario, he suggests, is to eliminate entry restrictions and promote vigorous competition in the highway trucking industry.

N.C. BONSOR is a member of the Department of Economics at Lakehead University.

ISBN 0-8020-3343-1 / 6 × 9 / \$5.00 paper
C77-001159-4 / 100 pp / 1977

8 Government Support of Scientific Research and Development

An economic analysis

D.G. MCFETRIDGE

This book examines the role of government in the allocation of resources to scientific research and development in industry. Starting from the premise that state intervention can be justified only if it increases economic efficiency, the study assesses the merits of alternative forms of government intervention, such as extending the scope of property rights to scientific discoveries, providing R&D subsidies, and government operation of research facilities. Focusing on the conditions under which subsidies should be granted, the enquiry considers the effects of such measures as the discrimination between foreign and domestic or between exporting and non-exporting applicants and the restriction to Canada of the exploitation of project results, and it examines the problem of determining the size of subsidy to be awarded.

An analysis of the current Canadian R&D subsidy assesses the extent to which subsidies may have been used to achieve alternative goals (such as support of failing firms), their effect on the total value of resources allocated to R&D, and the connection between research expenditures and patenting activity. Evidence is found that the present subsidy system has had the effect of increasing total R&D expenditures, which in turn has stimulated patenting activity. Whether the inventions obtained were worth their cost is left an open question.

D.G. MCFETRIDGE is a member of the Department of Economics at Carleton University.

ISBN 0-8020-3345-8 / 6 × 9 / \$5.00 paper
104 pp / 1977

9 Public and Private Pensions in Canada

An economic analysis

J.E. PESANDO AND S.A. REA JR.

At current contribution rates, the investment fund of the Canada Pension Plan will be exhausted before the end of the century. At an inflation rate of 8 per cent, the real value of today's private pension will be cut in half every ten years. The implications of these and related problems are explored by Pesando and Rea in their analysis of public and private pensions in Canada. The analysis of private pension plans examines the adequacy of vesting and 'locking in' provisions, together with the broader question of whether the private pension system as currently constituted can remain viable in an inflationary climate. The analysis of public programs focuses on the financing of public pension plans, the income redistribution effects of the Canada Pension Plan, and the incentive effects of public retirement programs. A computer model which simulates the life histories of a large sample of Canadians indicates that the CPP tends to transfer wealth to those with a relatively high lifetime income.

This incisive analysis pinpoints the inadequacies of current provisions for retirement income and outlines the direction which planning must assume if the intentions of pension programs are to be fulfilled. The authors' conclusions have wide-ranging social implications which must be considered by anyone involved or interested in the making of public policy.

J.E. PESANDO and S.A. REA Jr. are both associate professors of economics and research associates of the Institute for Policy Analysis at the University of Toronto.

ISBN 0-8020-3347-4 / 6 × 9 / \$6.00 paper

Approx 192 pp / Publication: September 1977

10 Speculation and Monopoly in Urban Development

Analytical foundations with
evidence for Toronto

J.R. MARKUSEN AND D.T. SCHEFFMAN

The recent rapid rise in land and housing prices in Canadian cities has generated much public concern. It is widely supposed that prices have been inflated by monopolistic developers, an assumption that has never been adequately tested. This study develops a model of the land development process which includes a new theory of land pricing giving special emphasis to market structure, speculation, and taxation. It then applies the model to the first fully documented examination of the Toronto land market, presenting specific original data on ownership and land assembly. The history of the conversion of farmland to residential use in four recent Toronto subdivisions permits a close look at the activities and profits of speculative middlemen and at the length of time developers buy land prior to subdividing.

The results indicate that Toronto real estate is not controlled by a few large developers, that ownership concentration is too low to imply market power even if all companies with overlapping corporate control are treated as a single firm. The authors suggest that rising prices have been caused by unforeseen increases in demand, shortages of municipally provided trunk service capacity, especially sewers, and frequent municipal reluctance to grant subdivision approvals.

The book concludes with a general consideration of the role of government in land development and a number of specific policy recommendations concerning the subdivision approval process, the Ontario Land Speculation Tax, and public land banking. This study will be of great interest to urban geographers and economists, to urban planners and policy-makers, and to representatives of development corporations and urban reform groups.

J.R. MARKUSEN and D.T. SCHEFFMAN are both members of the Department of Economics at the University of Western Ontario.

ISBN 0-8020-3348-2 / 6 × 9 / \$10.00 paper
Approx 176 pp / Publication: September 1977

11 Day Care and Public Policy in Ontario

M. KRASHINSKY

The last decade has seen rapid growth both in the use of extra-family care by working parents and in public involvement in the day care sector. This study, written from a solid economic perspective, is an important contribution to the debate on public policy. After tracing the development of day care in Ontario, the study focuses on two crucial policy issues: should day care be subsidized and should the day care industry be regulated. Using a sophisticated economic model, Professor Krashinsky demonstrates that the Ontario subsidies to day care are an inefficient way to assist working parents. Instead, he proposes a system of tax reductions which would enable many more families to take advantage of a greater range of child care facilities. If subsidies are to help children, he argues, they must apply to all children in need, whether or not their parents work and use day care. A general nursery school voucher system, he suggests, would be an effective approach.

Although regulation in Ontario has been useful, Krashinsky suggests that the province would be better served by an active public agency that restricted itself to collecting and disseminating information. He concludes that the province has been well served by a mixture of public, private, and non-profit day care institutions and that each mode has a role to play in an evolving sector.

This study will be of interest to both academics and practical policy makers. The tables and mathematical theory are generally presented in the appendices, allowing for a straightforward development of the argument in the text.

M. KRASHINSKY is a member of the Department of Economics at Scarborough College, University of Toronto.

ISBN 0-8020-3349-0 / 6 × 9 / \$6.50 paper
Approx 140 pp / Publication: November 1977

12 Provincial Public Finance in Ontario

An empirical analysis of the last twenty-five years

D.K. FOOT

This detailed and informative study makes a timely contribution to a subject that has been the focus of much public discussion and debate in Ontario and elsewhere, namely the size and growth of the public sector. Working with the Public Accounts and other sources, Professor Foot offers both an historical account of, and an explanation for, the growth of provincial revenues and expenditures since the early 1950s. By concentrating on an analysis of the development of a single government over time, rather than adopting the traditional cross-section approach of analysing a number of junior-level governments at a point in time, this study adds a significant perspective to the literature concerned with the theoretical and empirical analysis of the behaviour of junior-level governments.

The study's conclusions are both informative and provocative. On the revenue side, a rate-base approach which separates discretionary from automatic changes in revenue determinants is shown to provide sufficient flexibility to accommodate the analysis and explanation of a wide range of specific revenues. On the expenditure side, the provincial government is found to adjust reasonably slowly to new levels of desired expenditures which appear to be determined primarily by demand variables. Of particular interest are findings which suggest that urbanization and elections have had little effect on expenditures and that available federal funds have tended to be a substitute for provincial funds.

This study will certainly contribute to a more informed and stimulating discussion of the determinants and effects of provincial public finance in Ontario. In addition, it will appeal not only to those interested in the behaviour of junior-level governments, but also to anyone interested in the size and growth of the public sector, in Ontario or elsewhere.

D.K. FOOT is a member of the Department of Political Economy and a Research Associate of the Institute for Policy Analysis at the University of Toronto.

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